

## Message Text

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11

ACTION EUR-12

INFO OCT-01 AF-06 ISO-00 IO-10 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 EB-07 COME-00 TRSE-00 OMB-01 AID-05 /086 W

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R 251320Z APR 75

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC 5467

INFO AMEMBASSY PRETORIA

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMCONSUL CAPETOWN

USMISSION USUN

LIMITED OFFICIAL USE VIENNA 3573

EO 11652: N/A

TAGS: ECON, PGOV, PFOR, AU, SA

SUBJ: AUSTRIAN PARTICIPATION IN SOUTH AFRICAN PROJECT APPROVED

FOR EMBASSY CAPETOWN

REFS: (A) VIENNA 2194 AND (B) VIENNA 2518

1. SUMMARY: AUSTRIA'S NATIONALIZED STEEL COMPANY  
VOEST-ALPINE, WILL GO AHEAD WITH PLANNED PARTICIPA-  
TION IN SOUTH AFRICA ISCOR PROJECT. DECISION,  
AGAINST BACKGROUND OF GROWING MOOD OF ECONOMIC UNCER-  
TAINTIES IN AUSTRIA, REPRESENTS A HASTY RETREAT  
FOR KREISKY'S GOVERNMENT WHICH HAD ATTEMPTED TO  
DERAIL PROJECT. (END SUMMARY)  
(BEGIN UNCLASSIFIED)

2. SUPERVISORY BOARD OF AUSTRIA'S STATE HOLDING  
COMPANY, OEIAG, IN A MEETING ON APRIL 22 APPROVED  
AUSTIAN PARTICIPATION IN SOUTH AFRICAN ISCOR PROJECT.  
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PERCENTAGE OF PARTICIPATION BY AUSTRIA'S NATIONALIZED

STEEL COMBINE, VOEST-ALPINE, REMAINS 26 PERCENT, AS  
ORIGINALLY PROJECTED. CREDIT LIABILITY RISK, HOW-  
EVER, ORIGINALLY PLANNED AT 7 BILLION SCHILLINGS, WAS  
LIMITED BY BOARD TO A MAXIMUM OF 3.8 BILLION  
SCHILLINGS. REDUCTION IN LIABILITY RISK COVERAGE  
IS ACCOMPANIED BY A REDUCTION IN THE VOEST-ALPINE  
OBLIGATION TO PURCHASE FROM ISCOR WORKS FROM  
800,000 TO 400,000 METRIC TONS OF BILLETS ANNUALLY.  
BOARD'S DECISION FOLLOWED A RECENT VISIT TO SOUTH  
AFRICA BY DIRECTOR GENERAL KOLLER OF VOEST-ALPINE.  
(STOP UNCLASSIFIED. BEGIN LIMITED OFFICIAL USE)

3. DECISION TO GO AHEAD WITH PARTICIPATION IN PRO-  
JECT WAS WIDELY EXPECTED IN WAKE OF SHARP CRITICISM  
OF CHANCELLOR KREISKY'S ATTEMPTS LAST MONTH TO DERAIL  
PROJECT (SEE REFTELS). DECISION TO PARTICIPATE,  
WHICH COULD NOT HAVE BEEN POSSIBLE WITHOUT APPROVAL  
OR ACQUIESCENCE OF KREISKY'S GOVERNMENT, CAME SOONER  
THAN WAS GENERALLY ANTICIPATED. REDUCTION OF  
LIABILITY RISKS IS SEEN LARGELY AS FACE-SAVING MEAS-  
URE FOR KREISKY. WE BELIEVE DECISION TO GO AHEAD  
THIS SOON REFLECTS SOCIALIST PARTY'S DESIRE TO LAY  
DISPUTE TO REST AS QUICKLY AND QUIETLY AS POSSIBLE AS  
AUSTRIA MOVES TOWARD FALL ELECTIONS. GROWING MOOD  
OF UNCERTAINTY OVER ECONOMIC PROSPECTS IN AUSTRIA WAS  
UNDOUBTEDLY MAJOR FACTOR IN KREISKY'S BEATING OF  
HASTY RETREAT. FACT THAT VOEST-ALPINE'S WORKERS'  
COUNCIL FAVORED PROJECT WAS ALSO SOURCE OF EMBARRASS-  
MENT TO SOCIALISTS.

4. AUSTRIAN BUSINESS CIRCLES, INCLUDING CHAMBER OF  
COMMERCE AND LEAGUE OF AUSTRIAN INDUSTRIALISTS, ARE  
VERY PLEASED WITH DECISION AND SEE IT AS VINDICATION  
OF THEIR INSISTENCE THAT CHANCELLOR KEEP POLITICS AND  
HIS PENCHANT FOR PLAYING ROLE OF WORLD STATESMAN IN  
THIRD WORLD OUT OF ECONOMIC DECISION MAKING BY  
AUSTRIAN FIRMS. SOCIALIST YOUTH ORGANIZATION CON-  
TINUES TO CALL FOR EMBARGO OF TRADE RELATIONS WITH  
SOUTH AFRICA, BASED ON UN RESOLUTION AND OPPOSITION  
TO SOUTH AFRICAN DOMESTIC POLICIES. SOCIALIST PARTY  
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LEADERSHIP, HOWEVER, UNDOUBTEDLY HOPES AT THIS POINT  
THAT THIS EPISODE AND THE STORM OF PROTESTS KREISKY'S  
ROLE ENGENDERED WILL BE FORGOTTEN BY VOTERS LONG BEFORE  
FALL ELECTIONS. BUCHANAN

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FOREIGN INVESTMENT, STEEL, STEEL PLANTS, FOREIGN POLICY POSITION  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 25 APR 1975  
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**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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